

BUSINESS LAW SECTION

Franchise Law Committee

REPORT OF CALIFORNIA LEGISLATION RELATED TO FRANCHISING

FRANCHISE LAW COMMITTEE MEETING -- DECEMBER 8, 2000

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PENDING LEGISLATION

None. The legislative year ended on August 31 and the legislature adjourned sine die on November 30. The 2001-2002 Regular Session began on December 4, 2000, and the Legislature will convene on January 3, 2001.

LEGISLATION ENACTED DURING THE 1999-2000 LEGISLATIVE SESSION

SB 459 (Chapter 325, Statutes of 1999)

Franchise Investment Law: Sale of franchises: fractional franchise exemption

Added Section 31108 to the Corporations Code, to exempt from the registration requirement of the Franchise Investment Law any offer or sale of a franchise if the franchise involves the adding of a new product or service line to the existing business of a prospective franchisee, subject to certain specified requirements.

SB 1178 (Chapter 523, Statutes of 1999)

Petroleum franchises: franchise dealers fair practices

Amended Sections 21140.2, 21140.3 and 21148 of the Business and Professions Code to: (1) prohibit a petroleum franchisor from requiring its franchisee to purchase motor oil sold by the franchisor; (2) increase the maximum civil penalty from \$50,000 to \$100,000 for a violation of the franchise dealers fair practices provisions by a franchisor's executive, representative or agent; (3) require a petroleum franchisor to state its reasons in writing if it withholds consent for a franchisee to transfer its franchise to a proposed purchaser; and (4) prohibit a petroleum franchisor from withholding consent to a transfer because the proposed purchaser does not speak English.

SB 1819 (Chapter 789, Statutes of 2000)

Motor vehicle franchises: restrictions on competition

Amends Section 11713.3 of the Vehicle Code to: (1) narrow the circumstances under which a vehicle manufacturer, branch, distributor or other entity controlled by a manufacturer, branch or distributor is permitted to operate or control a dealership within 10 miles of an independent franchise dealer; and (2) prohibit unfair discrimination in allocation formulas and customer leads.

SB 2060 (Chapter 773, Statutes of 2000)

Vehicles: dealers: licenses

Amends Sections 11614 and 11713.1 of the Vehicle Code to prohibit a lessor-retailer or dealer from failing to include a statement in an advertisement of a vehicle for sale that certain charges will be added to the advertised total price at the time of sale, when the advertisement appears in a magazine, direct mail publication, circular, handbill or lessor-retailer's or dealer's web page that displays the price of a vehicle.

AB 159 (Chapter 230, Statutes of 1999)

Vehicles: dealers: licenses

Amends Sections 11704.5 and 11713.1 of the Vehicle Code to: (1) clarify that motorcycle and trailer dealers and their employees are exempt from certain required educational and testing requirements; and (2) provide that a vehicle dealer can recoup up to \$50 for the cost of emission testing for an advertised vehicle.

AB 2292 (Chapter 637, Statutes of 2000)

Vehicles: New Motor Vehicle Board: disputes between franchisees and franchisors

Amends Sections 3010 and 3050.1 of the Vehicle Code to provide that three members of the New Motor Vehicle Board, who are not new motor vehicle dealers, constitute a quorum to consider petitions involving disputes between franchisees and franchisors.

AB 2699 (Chapter 413, Statutes of 2000)

Seller assisted marketing plans: exemption

Amends Section 1812.201 of the Civil Code to provide that a wholesale product distributorship that meets certain specified requirements (including the licensing of a federally-registered trademark) is not a seller assisted marketing plan for purposes of the consumer protection laws under the Seller Assisted Marketing Plan Act.

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